

TESTIMONY OF WILLIAM W. MILLAR
PRESIDENT
AMERICAN PUBLIC TRANSPORTATION ASSOCIATION
BEFORE THE
HOUSE COMMITTEE ON GOVERNMENT REFORM
ON THE PERFORMANCE AND FUNDING OF THE WASHINGTON METROPOLITAN
AREA TRANSIT AUTHORITY'S METRO SYSTEM

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SUBMITTED BY

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APTA is a nonprofit international association of over 1,500 public and private member organizations including transit systems and commuter rail operators; planning, design, construction and finance firms; product and service providers; academic institutions; transit associations and state departments of transportation. APTA members serve the public interest by providing safe, efficient and economical transit services and products. Over ninety percent of persons using public transportation in the United States and Canada are served by APTA members.

Mr. Chairman and members of the Committee, on behalf of the American Public Transportation Association (APTA), thank you for this opportunity to testify on the investment needs and other issues relating to the Washington Metropolitan Area Transit Authority's (WMATA) Metro system. In your invitation you presented three specific questions on these topics, which are addressed below.

ABOUT APTA

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OVERVIEW

At the outset, Mr. Chairman, it is clear that Metro provides a vitally important service to the people of the Washington metropolitan area, and it is equally clear from an industry perspective that Metro does so in a very capable, professional and effective manner. Both literally and figuratively, Metro helps tie this vital metropolitan region together, and as the region grows Metro must be able to grow along with it to be able to continue to provide critical mobility services to all its citizens.

PERFORMANCE MEASUREMENT

The Committee asked that I address how transit systems measure their performance, and whether there are benchmarks against which Metro's performance could be evaluated. APTA does not evaluate nor rate the performance of transit agencies. Transit systems around the country and the communities they serve vary significantly in size, operating characteristics, and even in the types of services they provide making such comparisons difficult at best. But APTA does encourage and support information sharing and peer review among our transit agency members as an effective way to continue to improve their practices, provide better customer service, and earn the public's trust in the use of their tax dollars. We learn important lessons from these activities.

In this regard, just last month a Blue Ribbon Panel sponsored by the Metropolitan Washington Council of Governments (COG), the Federal City Council, and the Greater Washington Board of Trade followed up on the work of a Brookings Institution study published in June 2004 and issued a report on Metro's funding future. Mr. Chairman, I have worked in the transit industry for 33 years, and I support the conclusions of both reports. There is no question that WMATA is an effective and efficient provider of public transportation given the constraints under which it must work, just as there is no question that the system faces enormous demand pressures and lacks critically needed revenues to successfully carry out its mission.

The Blue Ribbon Panel used data from the Congressionally mandated National Transit Database to compare Metro's productivity with two dozen other large metropolitan transit agencies. The Panel reviewed information that would allow a benchmarking of how well WMATA performs in the use of available resources and productivity in achieving results from those resources. It found that Metro is an industry leader in using its resources effectively.

In June, 2004, the Brookings Institution's Center on Urban and Metropolitan Policy examined Metro's financial structure in a report titled *Washington's Metro: Deficits by Design*. The report noted that GAO in 2001 found Metro to provide "sound policies, programs, and practices," despite ongoing funding challenges; and that its operations are fiscally sound. For instance, the Brookings study reported that of all rail systems only the New York City subway recovers more of its operating costs through fare revenues. For bus systems, only two of similar size recover as much through the fare box.

The conclusion of the Brookings Institution's report, which led to its pessimistic title, is that the system faces an "extraordinary" lack of dedicated funding sources that has left it vulnerable to recurring financial crises. To avoid these crises and put Metro on a sound financial footing, the report recommends the creation of a dedicated funding source, such as a regional sales tax.

In short, both reports echo common themes: while Metro is effectively managed and operated it needs a dedicated source of funding to address the inevitable future growth of operating expenses and capital needs.

Mr. Chairman, let me also address a related issue – labor costs. One of APTA's private sector members, John A. Dash and Associates, recently released its annual "Transit Labor Update" in which it compiles and analyzes a large amount of data concerning labor costs in the public transportation industry. While the report contains much information, two items are particularly relevant to this hearing:

- 1) In reviewing real wage changes in the U.S. private industry sector and comparing them with real wage change among major U.S. public transit systems, it found that since 1996, real wages in the public transit industry have grown more slowly than those in the private sector.
- 2) In reviewing multi-year labor contracts negotiated at 57 transit agencies including WMATA in 2004, the study shows that Metro top hourly wage rate increase for bus operators was the 12th lowest of the 57 agencies in the group and that Metro's rate of increase was only 57 percent of the average increase among the group. Clearly, Metro is doing its part to hold the line on labor costs which is by far the largest component of Metro's operating expenses.

BEST PRACTICES FOR FUNDING AND IMPLEMENTATION OF CAPITAL IMPROVEMENT PROGRAMS

Let me turn now to the committee's second question regarding the best practices used by transit systems for the funding and implementation of capital improvement programs. My experience is that growing, dedicated funding sources for operating and capital budgets represent the best solution for effective public transportation system funding. This is true at the federal, state, and local levels. At the federal level it is proven by the success of the federal surface transportation programs authorized by TEA 21. That historic 1998 federal transportation legislation continued the longstanding dedicated funding stream for highways and transit in the form of the federal gasoline tax, but for the first time guaranteed that the funds authorized in that legislation would be made available each year through the appropriations process. With that dedicated and guaranteed funding in place, transit systems and state departments of transportation have been able to make long range transportation decisions and function much more effectively. Indeed, transit service and ridership have expanded nationwide. We look forward to working with Congress in getting TEA 21 reauthorized this year with sufficient resources to address critical transit and highway investment needs, and with a continuation of the guaranteed funding mechanisms.

In terms of transit funding at the state and local level, let me bring to the Committee's attention the U.S. Department of Transportation's Bureau of Transportation Statistics report, *2003 Survey of State Funding for Public Transportation*, which describes how each of the 50 states and the District of Columbia fund transit. Mr. Chairman, I would be pleased to submit the report for the record. It shows that many states, including those that have large systems like Metro, provide a dedicated funding source for transit operations. Of the different sources for dedicated funding streams, 15 states use a gasoline tax, 10 states use motor vehicle or rental car sales taxes, eight states use registration, title, or license fees, eight states use bond proceeds, and seven states use a sales tax.

Both the Brookings Institution report and the COG Blue Ribbon Panel report cited above recommend that the Washington metropolitan area adopt dedicated funding sources for Metro. The Brookings Institution report specifically points out how Metro is unique in its lack of such a program among transit agencies of similar size. Among other things, the report noted that while other transit systems around the country derive an average of 34.7 percent of their combined operating and capital budgets from dedicated sources, Metro receives only 1.6 percent from such sources. Because of Metro's rising costs, the report states, state and local governments are finding it necessary to raise local taxes or cut services to provide for operations and capital needs. A dedicated funding source would provide financial stability not only for Metro, but will also allow state and local governments to better plan for future Metro services.

The stability of guarantees is important, especially to capital funding, because capital projects are built and paid for over long periods of time. Guaranteed funding sources ensure that capital projects will receive the resources they need to be completed efficiently; the alternative is completing projects on a piecemeal basis as annual appropriations are approved, the situation currently faced by Metro. The Brookings Institution report notes Moody's financial rating service calls Metro "vulnerable" to multiple, annual appropriations processes; a label that makes

it more difficult to attract private funds and more costly to finance major capital projects through bonding.

The improvements that would come from a dedicated funding source for Metro are important for the future of the region. The Washington, D.C. metropolitan area has the fourth worst congestion in the United States. The COG estimates the metro area's population will increase by 36 percent by 2030, meaning congestion is only going to increase if nothing is done. According to the Texas Transportation Institute, without Metro traffic congestion would be worse by 50 percent and cost existing rush hour motorists \$1.2 billion more per year in time and fuel. Noted conservative Paul Weyrich of the Free Congress Foundation demonstrates in his study *How Transit Benefits People Who Do Not Ride It* that transit benefits not just those who use it but benefits as much or even more those who do not use it - from reduced congestion, increased property values, and as an alternative form of transportation. Mr. Chairman, I would also be pleased to submit this report for the record. In short, public transportation is a good public value.

Metro's success in alleviating congestion in Washington, D.C. is obviously important to the federal government, as the COG panel notes that its employees are the "mainstay" of Metro's ridership. Clearly, the citizens of Virginia, Maryland, and the District of Columbia benefit from Metro's service, as does the federal government. A dedicated funding source would put Metro on the right track for the future.

PARATRANSIT SERVICES

Finally, the Committee has asked me to discuss the issue of increasing paratransit costs, and what lessons our members have learned to address those rising costs. Mr. Chairman, APTA's membership is dedicated to providing mobility options for all persons, especially those with disabilities. They are among our most important customers. APTA has committees that meet regularly to examine mobility services, best-practices, and facilitate information sharing. We have been working cooperatively with human service organizations, the federal government, and persons in the disability community in furtherance of Americans with Disabilities Act (ADA) goals.

Our members have been making their vehicles, facilities, and services accessible and providing complementary paratransit services. Despite increased accessibility of fixed-route services, demand for paratransit services has skyrocketed in the last 15 years. For example, over the period from 1993 to 2003, the number of paratransit passengers served nationwide rose by 37 percent, and vehicle miles traveled to serve them has increased by 113 percent. While this increase in mobility has been extremely beneficial to many persons with disabilities and the communities in which they travel, it has had an obvious impact on transit agencies' budgets as capital costs for paratransit services rose by 163 percent, and operating costs increased nearly 200 percent in the same time period. In 2003, transit agencies spent \$2.36 billion (8.8 percent of their operating budgets) on paratransit services for 110.8 million riders.

Many transit systems around the country are facing the prospect of having to reduce fixed route services to help defray the added costs of paratransit service, while others are exploring a

range of options to try to manage these rising costs while not compromising needed mobility. Mr. Chairman, it is important to recall that the ADA was meant to make fixed route service accessible to persons with disabilities, with complementary paratransit service available for those unable to use the fixed route system. Our industry is focusing on this intent of the ADA and improving fixed-route accessibility to encourage greater use of fixed route systems by persons with disabilities, but paratransit use and attendant costs are continuing to rise on many systems.

There is a related area where much can be done to improve mobility options for persons with disabilities and improve service efficiency and effectiveness. We believe the federal government can help Metro and transit agencies nationwide by better coordinating transportation services provided under federally-funded human service programs with local transportation providers. A 1999 GAO report on the subject found that 62 different federal human service programs provide transportation assistance to public and private transportation providers. The estimates for total spending on these programs by the federal government ranges from \$4 to \$7 billion annually - close to the total annual federal investment in public transportation alone. Better coordination of these services could benefit those being served, and could help public transportation providers defray some of the growing costs of these services. We applaud the Federal Transit Administration and other federal agencies for their efforts in this regard through the "United We Ride" effort and pledge to assist them as they proceed with this important work.

CONCLUSION

Mr. Chairman, from my perspective of 33 years in public transportation, including the last eight as head of the industry's trade association, and as a regular Metro customer, Metro is a well-run transit system that provides clear benefits to the citizens of the Washington, D.C. metropolitan area whether they use it or not. It is difficult to imagine what this area would look like if Metro's 1.4 million daily riders including hundreds of thousands of federal employees drove instead of using Metro. Anticipated population growth makes it even more important that Metro be able to meet its rising capital and operating costs. As the region grows, so too must Metro grow - and transit industry experience shows that a dedicated and growing source of revenue is the best way to address transportation planning needs of metropolitan regions such as ours.

Thank you for holding this hearing and your long time support of public transportation. I would be pleased to answer any questions you may have or supplement my testimony with additional information as you might desire.